

Message Text

UNCLASSIFIED

PAGE 01 OTTAWA 03070 232308Z

63

ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 FEA-02 AEC-11 AID-20 CEA-02 CIEP-03 COME-00

EB-11 FPC-01 INT-08 OMB-01 SAM-01 SCI-06 STR-08

TRSE-00 FRB-03 DRC-01 /179 W
----- 118541

R 232159Z SEP 74

FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 4558
INFO AMCONSUL CALGARY
AMCONSUL VANCOUVER

UNCLAS OTTAWA 3070

E.O. 11652: N/A

TAGS: ENRG, CA, US

SUBJ: ENERGY: GOC STATEMENT ON PRICING OF NATURAL
GAS EXPORTS

FOLLOWING IS FULL TEXT OF SEPT 20 STATEMENT BY MINISTER
OF ENERGY, MINES AND RESOURCES MACDONALD, ANNOUNCING
POLICY ON PRICING OF NATURAL GAS EXPORTS:

BEGIN QUOTE. I AM TODAY RELEASING THE REPORT OF THE
NATIONAL ENERGY BOARD TO THE GOVERNOR-IN-COUNCIL ON THE
PRICING OF NATURAL GAS UNDER EXISTING EXPORT LICENSES. THIS
REPORT DESCRIBES A REVIEW OF EXPORT PRICES OF NATURAL GAS
UNDERTAKEN BY THE BOARD PURSUANT TO SECTION 11A OF THE
NATIONAL ENERGY BOARD PART VI REGULATIONS. IT CONTAINS A
SUMMARY OF EVIDENCE SUBMITTED AT A PUBLIC HEARING HELD IN
THE SPRING OF 1974, AS WELL AS THE BOARD'S FINDINGS,
CONCLUSIONS, AND RECOMMENDATIONS IN REGARD TO THE PRICING OF
CANADIAN NATURAL GAS EXPORTED UNDER EXISTING LICENCES.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 OTTAWA 03070 232308Z

ACCORDING TO THE ADVICE CONTAINED IN THIS REPORT, THE

GOVERNMENT HAS INSTRUCTED THE NATIONAL ENERGY BOARD TO AMEND EXISTING EXPORT LICENCES TO ESTABLISH A BORDER EXPORT PRICE NOT LESS THAN NOR GREATER THAN \$1.00 PER MCF (THOUSAND CUBIC FEET). THIS PRICE IS TO BECOME EFFECTIVE IN ALL EXPORT CONTRACTS ON JANUARY 1, 1975 EXCEPT FOR CONTRACTS GL-4 AND GL-41 OUT OF BRITISH COLUMBIA WHERE IT IS TO BE EFFECTIVE NOV 1, 1974.

IN SUPPORTING THE NATIONAL ENERGY BOARD'S RECOMMENDATION OF \$1.00 PER MCF THE GOVERNMENT HAS ALSO ENDORSED THE PRINCIPLE OF FURTHER ESCALATIONS IN THIS PRICE THOUGH THERE WILL BE NO DETERMINATION AT THIS TIME OF THE SCALE OR TIMING OF SUCH INCREASES. THE GOVERNMENT SUPPORTS, HOWEVER, THE BOARD'S VIEW THAT CANADA'S EXPORTS SHOULD BE PRICED IN A COMPETITIVE RELATIONSHIP TO ENERGY ALTERNATIVES IN THE UNITED STATES.

THE GOVERNMENT'S DECISION TO PHASE PRICES OVER TIME TO A TARGET OF COMPETING ENERGY ALTERNATIVES IN THE UNITED STATES REFLECTS A CONCERN THAT IMPORTERS OF CANADIAN GAS BE PERMITTED A PERIOD OF TIME IN WHICH TO ADJUST THEIR SUPPLY ARRANGEMENTS. THE GOVERNMENT HAS ALSO ACCEPTED A BOARD RECOMMENDATION THAT CURRENT IMPORTERS BE GIVEN THE OPTION OF CONTINUING UNDER EXISTING PRICING CONDITIONS CONTAINED IN THESE LICENSES FOR A PERIOD OF TWO YEARS. IF THIS OPTION IS TAKEN THE EXPORT LICENCES WOULD BE TERMINATED AT THE END OF TWO YEARS AND THE GAS WOULD BE REALLOCATED TO USES WITHIN CANADA.

ON JANUARY 1, 1975 WHEN THE NEW PRICE COMES INTO EFFECT THE COMPANIES, OTHER THAN WESTCOAST TRANSMISSION, WHICH TRANSPORT CANADIAN GAS INTO THE UNITED STATES WILL BE THE IMMEDIATE BENEFICIARIES. IT WILL BE THE POLICY OF THE GOVERNMENT TO ASSURE THAT THESE ADDITIONAL REVENUES SHOULD NOT ACCRUE TO THE PIPELINE COMPANIES BUT SHOULD BE DISTRIBUTED TO THE PRODUCERS OF NATURAL GAS IN CANADA WITH WHOM THESE COMPANIES HOLD CONTRACTS. THE CANADIAN PEOPLE WILL OF COURSE SHARE IN THESE REVENUES THROUGH THE OPERATION OF THEIR TAXATION

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 OTTAWA 03070 232308Z

SYSTEMS.

IN THE CASE OF BRITISH COLUMBIA THE ADDITIONAL REVENUES FROM EXPORT SALES WILL WHOLLY ACCRUE TO THE BRITISH COLUMBIA PETROLEUM CORPORATION, AN AGENT OF THE BRITISH COLUMBIA GOVERNMENT. SINCE EARLY LAST WINTER WHEN PRODUCTION DIFFICULTIES IN A MAJOR FIELD IN BRITISH COLUMBIA LED TO REDUCTIONS IN DELIVERIES

OF NATURAL GAS, SUPPLY SHORTAGES UNDER EXISTING EXPORT CONTRACTS HAVE BEEN EXPERIENCED IN THE U.S. PACIFIC NORTH WEST. THIS IS NATURALLY A MATTER OF GREAT REGRET TO US, BUT IT WOULD APPEAR CLEAR THAT THE PRIMARY RESPONSIBILITY AND JURISDICTION AS TO DETERMINING WHAT VOLUMES OF GAS MUST BE RETAINED WITHIN A PROVINCE FOR ITS OWN USE LIES WITH THE PROVINCIAL GOVERNMENT. THERE HAVE BEEN CONTINUOUS CONSULTATIONS WITH MINISTERS AND OFFICIALS OF THE BRITISH COLUMBIA GOVT REGARDING EXPORT SHORTAGES AND I HAVE THEIR ASSURANCES THAT EVERYTHING THAT CAN BE DONE TO ALLEVIATE THESE DIFFICULTIES WILL BE DONE. I AM HOPEFUL THAT THE ADDITIONAL REVENUES ACCRUING TO THE BRITISH COLUMBIA PETROLEUM CORPORATION WILL MATERIALLY ASSIST IN FACILITATING AND ACCELERATING ARRANGEMENTS FOR ALTERNATE AND ADDITIONAL SUPPLIES.

WE SHALL BE SEEKING OPPORTUNITIES TO FULLY DISCUSS THESE MATTERS WITH OFFICIALS OF THE UNITED STATES GOVERNMENT. AT THE SAME TIME, MY OFFICIALS AND I ARE CONTINUING DISCUSSIONS AND NEGOTIATIONS WITH CANADIAN PROVINCES WITH RESPECT TO THE PRICING OF NATURAL GAS IN CANADA. ON PREVIOUS OCCASIONS I HAVE INDICATED THAT THE GOVERNMENT BELIEVES THAT AN UPWARD MOVEMENT IN THE PRICE OF NATURAL GAS CONSUMED IN CANADA IS NECESSARY, FOR TWO REASONS: FIRST, TO INDUCE ADDITIONAL SUPPLIES; AND SECOND, TO RESTRAIN INEFFICIENT AND WASTEFUL USES OF THIS HIGH-QUALITY FUEL ARISING FROM ITS RELATIVE CHEAPNESS COMPARED TO FUEL OIL ALTERNATIVES. I WOULD ONLY NOTE AT THIS TIME THAT THE FEDERAL GOVERNMENT IS SEEKING A SOLUTION TO THIS PROBLEM WHICH TREATS EQUITABLY THE INTERESTS OF PRODUCING COMPANIES AND PROVINCES AND THE SHORTER-TERM CONCERNS OF CANADIAN

UNCLASSIFIED

UNCLASSIFIED

PAGE 04 OTTAWA 03070 232308Z

CONSUMERS WHILE NOT SACRIFICING THEIR REAL LONGER-TERM NEED FOR ADDITIONAL SUPPLIES. END QUOTE
PORTER

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, EXPORTS, NATURAL GAS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 23 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974OTTAWA03070
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740267-0954
From: OTTAWA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740922/aaaaasqq.tel
Line Count: 157
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: kellerpr
Review Comment: n/a
Review Content Flags:
Review Date: 29 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 APR 2002 by kellerpr>; APPROVED <29 APR 2002 by kellerpr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ENERGY: GOC STATEMENT ON PRICING OF NATURAL GAS EXPORTS
TAGS: ENRG, CA, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005